

State of California
BOARD OF EQUALIZATION

EMERGENCY TELEPHONE SURCHARGE REGULATIONS

Regulation 2431. RECORDS.

Reference: Sections 41056, 41073, 41129, and 41130, Revenue and Taxation Code.

(a) GENERAL. Every service supplier liable for payment of the emergency telephone users surcharge which it collects from service users shall keep complete and accurate records showing:

(1) Totals for intrastate telephone communication in this state billed to service users.

(2) All exemptions allowed by law.

(3) Amounts of Emergency Telephone Users Surcharge Collected. These records must include the normal books of account ordinarily kept by a service supplier furnishing intrastate telephone communication services, together with documents of original entry supporting the entries in the books of account, as well as copies of the tax returns and reports and all schedules or working papers used in connection with the preparation of the tax returns and reports.

(b) MICROFILM RECORDS. Microfilm reproductions of general books of account are not acceptable in lieu of original records. However, microfilm reproductions of supporting records of billing details may be maintained providing the following conditions are met:

(1) Appropriate facilities are provided for preservation of the films for periods required.

(2) Microfilm rolls are indexed, cross-referenced, labeled to show beginning and ending numbers or beginning and ending alphabetical listings of documents included, and are systematically filed.

(3) The service supplier agrees to provide transcription of any information contained on microfilm which may be required for purposes of verification of surcharge liability.

(4) Proper facilities are provided for the ready inspection and location of the particular records, including modern projectors for viewing and copying the records.

A posting reference must be on each service order. Credit memoranda must carry a reference to the original billing date of the surcharge. Documents necessary to support claimed exemptions from surcharge liability must be maintained in an order by which they readily can be related to the reason for which exemption is sought.

(c) RECORDS PREPARED BY AUTOMATED DATA PROCESSING SYSTEMS. An ADP tax accounting system must have built into its program a method of producing visible and legible records which will provide the necessary information for verification of the taxpayer's surcharge liability.

(1) Recorded or Reconstructible Data. ADP records must provide an opportunity to trace any service user's telephone billings back to the original source or forward to a final total. If detail printouts are not made of transactions at the time they are processed, then the system must have the ability to reconstruct these transactions.

(2) General and Subsidiary Books of Account. A general ledger, with source references, will be written out to coincide with financial reports for surcharge reporting periods. In cases where subsidiary ledgers are used to support the general ledger accounts, the subsidiary ledgers should also be written out periodically.

(3) Supporting Documents and Audit Trail. The audit trail should be designed so that the details underlying the summary accounting data may be identified and made available to the Board upon request. The system should be so designed that supporting documents are readily available.

(4) Program Documentation. A description of the ADP portion of the accounting system should be available.

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The statements and illustrations as to the scope of operations should be sufficiently detailed to indicate:

- (A) The application being performed.
- (B) The procedures employed in each application (which, for example, might be supported by flow charts, block diagrams, or other satisfactory descriptions of the input or output procedures.)
- (C) The controls used to insure accurate and reliable processing. Important changes, together with their effective dates, should be noted in order to preserve an accurate chronological record.

(d) RECORDS RETENTION. All records pertaining to transactions involving emergency telephone users surcharge liability must be preserved for a period of not less than four years from the due date of the returns supported by such records unless the State Board of Equalization authorizes in writing their destruction within a lesser period.

(e) EXAMINATION OF RECORDS. All records must be made available for examination upon proper notification to the service supplier by the Board or its authorized representative at all reasonable times.

(f) FAILURE TO MAINTAIN RECORDS. Failure to maintain and keep complete and adequate records will be considered evidence of negligence or intent to evade the surcharge and may result in penalties or other appropriate administrative action.

History: Adopted April 6, 1977, effective July 1, 1977.